

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 PA-02 PRS-01 IO-10 ABF-01 FSE-00 /116 W

----- 108970

R 180920Z NOV 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4951

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS TOKYO 16520

DEPT PASS TREASURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN OCTOBER - PROVISIONAL

REF: TOKYO 16438

1. SUMMARY: JAPAN'S OVERALL BALANCE IN OCT REGISTERED LARGE \$800 MIL DEFICIT ACCORDING TO PROVISIONAL B/P STATISTICS.

THIS WAS MAINLY DUE TO SIZABLE \$330 MIL NET OUTFLOW OF NON-MONETARY SHORT-TERM FUNDS IN CONTRAST TO \$212 MIL NET INFLOW IN SEPT. OCT DEFICIT OF BASIC BALANCE WAS \$154 MIL LARGER

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THAN IN SEPT DUE TO SMALLER TRADE SURPLUS AND LARGER NET OUT-

FLOW OF LONG-TERM CAPITAL. OFFICIAL SETTLEMENTS DEFICIT, HOWEVER, WAS SMALL \$110 MIL (AS COMPARED TO \$768 MIL DEFICIT IN PRIOR MONTH) AND INFLOW OF COMMERCIAL BANKS SHORT-TERM FUNDS OF \$690 MIL FINANCED MOST OF OVERALL DEFICIT. OCT DECLINE IN JAPAN'S OFFICIAL RESERVES WAS ONLY \$77 MIL AGAINST \$821 MIL DROP IN SEPT. THE YEN INCREASED SLIGHTLY AGAINST DOL AT TOKYO FOREX MARKET TOWARD END OF OCT. END SUMMARY.

2. LONG-TERM CAPITAL RECORDED LARGER NET OUTFLOW OF \$330 MIL IN OCT THAN \$261 MIL NET OUTFLOW IN SEPT. MOF OFFICIAL ATTRIBUTED THIS TO SHARPLY INCREASED OVERSEAS DIRECT INVESTMENT BY JAPANESE ENTERPRISES AND LENDING ABROAD BOTH BY GOVT AND PRIVATE SECTOR. MOF WITHHELD ANY FURTHER INFORMATION ON THESE MATTERS, SUCH AS TOTAL AMOUNT OF CAPITAL OUTFLOW OR WHO OR TO WHOM SUCH LOANS OR INVESTMENTS WERE MADE. INCLUDED MAY BE, HOWEVER, ONE DIRECT INVESTMENT BY MITSUI AND CO FOR CAPITAL INCREASE OF ITS U.S. SUBSIDIARY AND BE RELATED TO "OUT-OUT" BOND ISSUE OF \$50 MIL BY MITSUI IN THE U.S. BOND ISSUES ABROAD BY JAPANESE ENTERPRISES WERE SUBSTANTIALLY SMALLER IN OCT WITH TOTAL NET INFLOW OF ONLY \$68 MIL (INCLUDING \$50 MIL BY MITSUI) AS COMPARED TO \$104 MIL INFLOW REGISTERED IN SEPT. MOF OFFICIAL NOTED, HOWEVER, OCT DROP IN BOND ISSUES ABROAD IS CONSIDERED TEMPORARY AND PREDICTED RECOVERY TO MORE USUAL MONTHLY LEVEL FOR THE MONTHS AHEAD. FOREIGN BUYING AND SELLING OF OUTSTANDING JAPANESE SECUITES BALANCED IN OCT AS COMPARED TO \$83 MIL NET OUTFLOW IN SEPT; NET SALES OF JAPANESE BONDS TOTLED \$20 MIL IN OCT AND OFFSET THE SAMEAMOUNT OF NET INFLOW THROUGH FOREIGN PURCHASE OF JAPANESE STOCKS.

3. UNADJUSTED TRADE SURPLUS DECLINED BY \$62 MIL TO \$350 MIL IN OCT FROM SEPT LEVEL. ON OTHER HAND, SEASONALLY ADJUSTED TRADE BALANCE MOVED BACK TO SURPLUS OF \$301 MIL IN OCT FROM \$30 MIL DEFICIT IN SEPT. EXPORTS (F.O.B., SEASONALLY ADJUSTED) INCREASED \$381 MIL IN OCT OVER SEPT (AS MUCH AS 8.8 PERCENT) AND IMPORTS (F.O.B., SEASONALLY ADJUSTED) ROSE BY \$50 MIL (1.1 PERCENT).

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4. IN OCT NET PAYMENTS FOR SERVICES AND TRANSFERS WERE \$490 MILN REMAININGAT THE USUAL MONTHLY LEVEL AS RESULT, BASIC BALANCE IN OCT RECORDED LARGE \$470 MIL DEFICIT AS COMPARED TO \$316 MIL DEFICIT IN SEPT. NON-MONETARY SHORT-TERM CAPITAL AND ERRORS AND OMISSIONS RECORDED SIZABLE NET OUTFLOW OF \$330 MIL IN CONTRAST TO NET INFLOW OF \$212 MIL IN SEPT. MOF ATTRIBUTED OCT LARGE NET PAYMENTS OF NON-MONETARY SHORT-TERM FUNDS MOSTLY TO UNWINDING OF PRE-

PAYMENTS MADE FOR SHIPS EXPORTED IN OCT. (NOTE: AS REPORTED IN REFTEL, SHIP EXPORTS INCREASED SHARPLY BY \$325 MIL, OR UP 88.8 PERCENT, IN OCT OVERSEPT LEVEL (NOT SEASONALLY ADJUSTED, ON CUSTOMS BASIS).

5. OCT DEFICIT IN OVERALL BALANCE OF \$800 MIL SECOND LARGEST DEFICIT IN 1975, WAS FINANCED IN PART BY INCREASE IN COMMERCIAL BANKS' SHORT-TERM NET LIABILITY POSITION OF \$690 MIL. AS RESULT, OFFICIAL SETTLEMENTS BALANCE RECORDED SMALL DEFICIT OF \$110 MIL. PUBLISHED OFFICIAL RESERVES DECREASED ONLY \$77 MIL FROM SEPT LEVEL TO \$13,192 MIL. GOL AND FOREGN EXCHANGETOTALED \$11,865 MIL, GOLD TRANCHE \$801 MIL, AND SDR'S \$526 MIL.

6. FOLLOWING ARE PRELIMINARY MOFDATA ON OCT BALANCE OF PAYMENTS IN MIL DOLS (IMF BASIS, NOT SEASONALLY ADJUSTED). RECEIPTS AS WELL AS INCREASE IN RECEIPTS OR DECREASE IN PAYMENTS ARE SHOWN AS PLUS; QUOTE MIN UNQUOTE INDICATES OPPOSITE.

OCT 75        SEPT 75  
PROVISIONAL REVISED CHANGE

(1) CURRENT BALANCE    MIN 140 MIN 55 MIN 85  
TRADE BALANCE            350    412 MIN 62  
EXPORTS                4,760    4,454    306  
IMPORTS                MIN 4,510 MIN 4,042 MIN 368  
SERVICES AND  
TRANSFERS            MIN 490 MIN 467 MIN 23  
(2) LONG-TERM CAPITAL    MIN 330 MIN 261 MIN 69  
(3) BASIC BALANCE        MIN 470 MIN 316 MIN 154  
(4) NON-MONETARY SHORT-  
TERM CAPITAL AND  
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ERRORS AND OMIS-  
SIONS COMBINED        MIN 330    212 MIN 542  
(5) OVERALL BALANCE    MIN 800 MIN 104 MIN 696  
(6) COMMERCIAL BANKS  
SHORT-TERM NET  
POSITION                690 MIN 664    1,354  
(7) OFFICIAL SETTLE-  
MENTS BALANCE            MIN 110 MIN 768    658

7. SEASONALLY ADJUSTED TRADE DATA (IMF BASIS) AS FOLLOWS:

OCT 75    SEPT 75  
PROVISIONAL REVISED CHANGE  
EXPORTS 4,707    4,326    381  
IMPORTS MIN 4,406    MIN 4,356 MIN 50

BALANCE 301 MIN 30 331

8. NOTE: RATES OF EXCHANGE USED BY MOF TO CONVERT TO  
DOLBASIS WERE 302.42 YEN PER DOL FOR OCT 1975 AND 299.44  
YEN PER DOL FOR SEPT 75.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BALANCE OF PAYMENTS DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Original Handling Restrictions:** n/a  
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**Page Count:** 4  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 TOKYO 16438  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** izenbei0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 OCT 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <14 OCT 2003 by buchantr>; APPROVED <27 JAN 2004 by izenbei0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** JAPAN'S BALANCE OF PAYMENTS IN OCTOBER - PROVISIONAL  
**TAGS:** EFIN, JA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006